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SECURITY INFORMATION

26 February 1952

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**DAILY DIGEST**

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Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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SECTION 1 (SOVIET)

1. USSR. Radio Moscow supports revolt in Japan: On 23 February Radio Moscow beamed to Japan an inflammatory appeal, attributed to Kyuichi Tokuda, to the Japanese people to revolt "against the reactionary regime of Ridgway and Yoshida." Tokuda disappeared in June 1950 after SCAP ordered the purge of members of the Japanese Communist Party Central Committee. (R FBIS [REDACTED], 23 Feb 52)

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Comment: It is increasingly evident that the USSR, apparently encouraged by the success of "national liberation" movements in the Far, Middle and Near East, is stressing this technique not only for utilization in colonial areas but for application to Japan as well.

Similarities between the USSR blue-print for colonial revolutions published in December 1951 and the platform adopted by the Japanese Communist Party's Fifth National Committee in October 1951 show that present Japanese Communist Party policy not only has the approval of the Kremlin but probably was prepared in accordance with general policy directives from Moscow. Moreover, it is significant that not since the Cominform criticism in January 1950 have Japanese Communist plans and policies received such wide Soviet publicity, indicating that the Kremlin is placing increased importance on the role of the Japanese Communist Party in post-occupation Japan.

Evidence that this militant policy has already been put into effect was the recent wave of "anti-colonization" riots throughout Japan protesting the peace treaty, the security pact and rearmament.

2. BULGARIA. Reservists receive mobilization assignments: [REDACTED] Bulgarian Secret Police in the Petrich District of southwestern Bulgaria distributed printed forms to all reservists up to 40 years of age on the night of 15 January 1952. The forms specified the location and unit to which each reservist should report in case of mobilization. The forms were distributed secretly, and reservists were cautioned not to reveal that they had been received. (S [REDACTED])

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Comment: A nation-wide trial mobilization of Bulgarian reservists occurred during December and January. Since the report from Petrich implies that trial mobilization activity had not occurred in that area, it is possible that the reported issuance of mobilization papers was in preparation for such a mobilization exercise. There is some evidence to indicate that the mobilization drills were carried out by each of the Bulgarian army areas in turn, beginning with the Second Army in early December. If this information is correct, it is possible that mobilization exercises in the Petrich (First Army) area had not yet begun in mid-January.

Recent information has revealed that a major redistribution and redesignation of Bulgarian Army units was carried out between October 1950 and the fall of 1951. It seems likely that the recent mobilization drills might have been planned both for purposes of testing Bulgarian mobilization machinery and as a means of briefing and re-orienting reservists on recently revised unit assignments and designations.

3. HUNGARY. Private property confiscated: All private property either entirely or partially let and all houses of capitalists and former ruling elements even if these are not rented are subject to government expropriation under a decree of 17 February. Exceptions are made in the case of buildings owned by a foreign state, by the Church and by agricultural cooperatives. Working peasants are favored in that a peasant is permitted to retain a house which he lets in addition to the one he inhabits. Urban workers are permitted to keep a six-room house while artisans and small shopkeepers can retain only a five-room house.

The stated purpose of the decree is to prevent elements of the former ruling class from securing revenues without work and to bring under government supervision houses and apartments which the present owners are neglecting. Compensation is promised. (R FBIS [REDACTED] 21 Feb 52; R Budapest 636, 21 Feb 52)

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Comment: The real reason for the nationalization of middle and upper class residences was revealed in Szabad Nep, the Budapest Communist daily, which stated that the decree was intended "to continue the liquidation of

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capitalist elements." This latest step in the class warfare being waged in Hungary follows reports that deportations of upper class citizens will be resumed in March. Although compensation is promised, the government has not heretofore fulfilled such obligations.

A similar step was taken in Rumania in April 1950.

4. POLAND. Relocation of Soviet tank division: The Commander of US Forces in Europe states that the Soviet 20th Tank Division, which has not been firmly located since the summer of 1951, has apparently made a permanent change of station from Opole to Neuhammer. He suggests that the move may have been made for the following reasons: (a) to release barracks to the expanding Polish army, (b) to facilitate use of the field training area, (c) to gain greater division security and (d) to place the division more suitably for support of Soviet forces in Germany. (S CINCEUR Weeka #7, 18 Feb 52)

Comment: Neuhammer is the normal field training area of the 20th Tank Division, one of the two Soviet line divisions in Poland. In previous years, major elements of the division returned to Opole after summer field training although minor elements remained throughout the year in Neuhammer. Similar year-round use of field training areas for troop billeting has occurred in the Soviet 8th Guards Army in occupied Germany.

25X1C 5. TRIESTE. Tito may propose Italo-Yugoslav condominium for Trieste: Marshal Tito recently informed Branko Babic, the leader of the pro-Tito party in Trieste, that about 1 March he will announce that Yugoslavia is prepared to open negotiations with Italy over Trieste on the basis of the Italian Peace Treaty. At that time Tito will propose the creation of a permanent free territory, including Yugoslav Zone B, under an Italo-Yugoslav condominium. The proposal will specify that the condominium be administered by a governor appointed not by the United Nations but alternately by Yugoslavia and Italy for a three or four year term.

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According to Tito the objective of this tactic will

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be to convince the West of Yugoslavia's good faith and to "force Italy's hand." (S [redacted] Trieste, 23 Feb 52, [redacted])  
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Comment: Previous reports have stated that Yugoslavia plans to propose an Italo-Yugoslav condominium over Trieste in an effort to weaken Italian claims to the area. A move to invoke the Italian Peace Treaty, which called for the creation of a Free Territory of Trieste governed by a UN Security Council appointee, would be a logical sequel to the failure of preliminary talks between the two governments to agree on a formula for a territorial settlement.

Babic and several other leaders of the pro-Titoist Slovene party in Trieste visited Marshal Tito at his winter retreat in Brioni in mid-February.

6. Allied Commander in Zone A urges early Trieste elections: The Allied Military Commander of Zone A in Trieste has informed the United States and British Governments that a further postponement of the Trieste communal elections will have a harmful effect on the internal situation there. He states that the present actions of the Communal Council are motivated more by the forthcoming elections than the requirements of good administration. Similarly the Allied Military Government is continually frustrated by the political necessity of avoiding any strong action toward the Communal Council which might damage the Democratic Christian party. (S Trieste 789, 23 Feb 52)

Comment: No final decision has yet been made regarding the Trieste elections, which were postponed last fall until 1952 in order to give the Italian and Yugoslav Governments an opportunity to settle the Trieste issue bilaterally. The US, British and Italian Governments have agreed, however, that if the elections are not postponed until fall as the Italians wish, they will be held at the same time as local Italian elections scheduled for this spring.

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SECTION 2 (EASTERN)

1. CHINA. Private import-export firms believed on way out: The American Consul General in Hong Kong reports the general belief that the current anti-corruption campaign on the mainland will nearly eliminate private firms engaged in foreign trade. Following the investigations of commercial firms, it is expected that trade will be conducted by large state corporations or strictly supervised joint trading groups.

Government investigations of tax evasion charges and blackmail dealings have already caused exports to Hong Kong through private Chinese firms to fall drastically. Many firms which have demonstrated loyalty to the regime by obtaining strategic materials abroad at low prices are reportedly being fined, on trumped-up charges, sums equivalent to their entire profits from foreign trade. (S Hong Kong 2484, 23 Feb 52)

Comment: Much of Communist China's trade with non-Communist countries has been conducted through private firms, whose value to the regime now is relatively low as a result of the reduced level of trade with the West in the past six months. A Communist effort to eliminate private traders can be expected as part of the broader attack, under way for the last few months, on the "national bourgeoisie."

2. KOREA. Rhee's Youth Corps employing strong-arm tactics: In a conversation with President Rhee on 21 February, Ambassador Muccio referred to the undemocratic and coercive tactics of Rhee's Youth Corps, whose armed "goon squads" have been forcing citizens to sign petitions for the recall of Assemblymen inimical to Rhee. The President indicated that he "might" try to moderate the Youth Corps' strong-arm actions and that the leader of that organization was not carrying out orders. (S Pusan 835, 23 Feb 52)

Comment: Rhee's "recall campaign" is designed to force the Assembly into reconsidering the defeated bill for direct election of the President. It is his most overt move to date in his long-standing power struggle with the legislature.

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SECTION 3 (WESTERN)

1. GERMANY. Bonn attaches conditions to NATO contributions: The Federal Republic has submitted a memorandum to the NATO Council stating the conditions governing its payment of a 2.67-billion-dollar contribution to Western defense, beginning 1 July or later. Should the Federal Republic prove incapable of supporting the envisaged figure, it will ask for foreign aid pending a reduction of its defense burden. Furthermore, the Federal Republic and NATO will later review what other budgetary expenses are deductible from defense costs, with particular attention being given to federal aid to Berlin. (S Bonn 1679, 23 Feb 52)

Comment: Germany's acceptance of its share of Western defense costs may be more apparent than real. There is a considerable difference between Allied and West German forecasts of gross national production. If the Allied forecast is not realized by fiscal year 1953, the Federal Republic will ask for a reduction of its defense costs.

In the November NATO meeting in Rome, the Allied High Commissioners were charged with negotiating an over-all defense figure for the West German fiscal year beginning 1 April. Hence West Germany will be granted a three- to four-month grace period before assuming the full costs of rearmament, which would cut some 330 million dollars from the original Allied figure for fiscal year 1952-1953.

2. UN commission procedure plays into Communist hands: The UN commission to investigate German electoral conditions has invited East and West Germans to meet its representatives on 17 March to discuss arrangements for later investigation. US officials had warned earlier that such a procedure, rather than an outright request for permission to enter East and West Germany, would play into the hands of the Communists by letting them "prolong talks indefinitely at the expense of further progress of current Allied-West German negotiations."

The Netherlands delegate to the UN commission stated that, although he had no evidence that the USSR would permit the commission to enter East Germany, such a move would be a "golden opportunity" since, in his view, the Bonn Parliament would refuse to consider rearmament measures while such reunification bait was dangled before it. (S The Hague 865, 20 Feb 52; S to Geneva 632, 21 Feb 52)

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Comment: Soviet and East German officials are, according to press reports, discussing the Communist reply to the UN note. The only East German comment so far was much more conciliatory in tone than earlier propaganda treatment of the issue. Past statements have vehemently attacked the principle of UN interference in such a purely German matter, instead of emphasizing outright refusal to admit a UN body to East Germany. The present procedure of the UN commission might lead to Communist hints of eventual permission for entry into East Germany; before granting permission, however, the East Germans could filibuster on the issue at a time when Allied negotiations with West Germany are nearing completion.

3. Proposal for West German membership in ECE is shelved: The Allies have abandoned plans for West German consultative membership in the ECE and are trying to draft a common statement reconciling the Federal Republic to continued but limited participation in ECE activities. The Bonn government is extremely anxious to establish its relationship with this body since the March plenary session is just two weeks away. (C Bonn 1668, 22 Feb 52)

Comment: In the last several months, the US and Britain promoted West German membership in the face of French opposition. France maintained that the Allies should continue to represent West Germany because Bonn's membership would provoke the USSR either to withdraw from ECE or to insist on East German membership. French objections and the possibility of Soviet counteraction have caused the Allies to drop the idea of German membership.

4. FRANCE. Faure faces severe test on new taxes: The US Embassy in Paris paints a black picture of Premier Faure's chances of surviving a crisis this week over the budget bill, which involves new taxes. The right-wing independents and Peasants are increasingly restive and hopeful of broadening the centrist coalition to take in the Gaullists without losing Socialist support. The Vice President of the Radical Socialists, the Premier's own party, stated that he expected former Premier Queuille to succeed Faure in a government which the Socialists would enter. (C Paris 5158, 23 Feb 52)

Comment: The rapidly growing threat of major economic crisis in France, as reflected in the sudden further depreciation of the franc, greatly aggravates Faure's problem

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of retaining political support. The government's bleak outlook was worsened by Faure's announcement on 25 February that he would stake the life of the five-week-old cabinet on a demand for a tax increase of 15 percent, instead of 10 percent as previously anticipated. The Socialists continue to condition their re-entry into the government upon the unlikely abandonment of the recent measure for aid to church schools.

5. BELGIUM. Belgium asks support for stronger International Materials Conference: Belgium has requested Switzerland's support for a reorganization of the International Materials Conference to provide representation of all member countries on the governing board. Committees would be formed of representatives of regional groups. Belgium also proposes that the conference enforce recommendations on producer nations, regulate prices, and investigate to determine whether shortages of specific commodities exist. (C Bern 1047, 22 Feb 52)

Comment: Benelux desires a seat on the governing board or Central Group, composed of the US, Britain and France, undoubtedly to improve its bargaining position vis-a-vis these countries. The Benelux Governments have complained that the conference's present setup by commodity committees fails to prevent unwarranted price increases, does not cover a large enough variety of scarce materials, and fails to provide for a fair distribution of semi-manufactured items made from scarce materials. Because requirements of the Swiss have been receiving more sympathetic treatment from the US, they are unlikely to support the Belgian request.

6. ITALY. Communists seek to regain strike initiative: The Communist Party is promoting local strikes throughout Italy. Many of these have been supported by the rank and file of the anti-Communist unions despite the announced opposition of their leaders. A month-old strike over working conditions in the Sicilian sulphur mines, called by the Communist-dominated General Labor Confederation, has reached serious proportions. It now involves 10,000 workers, has interrupted MSA-sponsored modernization projects, and is paralyzing the sulphur industry. The US Embassy in Rome comments that the

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Communists are trying to retrieve the initiative in the labor field and their ability to use strikes as a subversive weapon in an emergency. (S USARMA Rome Joint Week 8, 21 Feb 52)

Comment: This is the first indication of a country-wide strike campaign. Brief strikes were reportedly called by the General Labor Confederation among the metallurgical workers in four north Italian provinces within the last two weeks.

Such a strike offensive, apparently directed at Italian defense industries, would violate last December's pledge by the leader of the General Labor Confederation that its members would work regularly on defense orders and offer only passive opposition. This attitude has apparently not met with approval in high Communist quarters.

7. Report of a tentative Italian-Iranian oil deal is confirmed: The US Embassy in Rome confirms that EPIM, a small Italian petroleum concern, has concluded a "tentative" barter contract with the National Iranian Oil Company for the purchase of two million tons of petroleum annually for ten years. However, the conclusion of this contract depends upon the settlement of the Anglo-Iranian dispute, and upon official approval by the Italian Government of the terms of payment. The Italian Ministry of Industry has stated that Italy will not grant transport licenses for Iranian crude oil. (Rome 3691, 23 Feb 52; R Tehran 3192, 20 Feb 52)

Comment: Because of its reluctance to affront Britain, Italy is unlikely at present to give official approval to any large-scale private deal between Italians and Iranians. Moreover, the apparent remoteness of any general Anglo-Iranian settlement reduces the likelihood of any immediate conclusion of this contract.

8. SWITZERLAND. Swiss official reappraises country's military importance: The Swiss Army's Chief of Training stated in a recent speech that the national redoubt, because of its poor communications and lack of resources, can no longer be regarded as a guarantee of Swiss security. He also pointed out that for east-west military operations on a large scale, Switzerland could have no special value except for flanking

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movements. The Swiss assume that their vital north-south lines of communication would in the event of war be put out of operation to prevent either belligerent from gaining possession of them. (R USARMA Joint Weeka 8, 21 Feb 52)

Comment: This speech reflects the desire of a number of Swiss military men for greater military cooperation between Switzerland and the West, and may be an attempt to win gradually public support for these views. A realistic analysis of Switzerland's present military situation has seldom been made publicly by high-ranking officials. The Swiss as a whole exaggerate the capabilities of their defense establishment.

9. LATIN AMERICA. Peruvian group reportedly proposes "anti-imperialist" bloc: The Peruvian opposition party, the Popular Revolutionary American Alliance (APRA), has reportedly abandoned its pro-US position and is seeking the cooperation of the Venezuelan Democratic Action (AD), the Bolivian Nationalist Revolutionary Movement (MNR), the major Socialist group in Chile, and the Argentine President in a policy of "anti-imperialism." The new program's most striking facet is the proposed formation of a bloc to "defend" the prices of raw materials sold to the US. (C Santiago Desp. 839 and 870, 15 and 23 Jan 52)

Comment: The APRA program is significant as a manifestation of the growing current of belief that the bargaining power of each individual Latin American country can be maximized through some form of cooperative action. The existence of this belief in government circles was apparent in recent negotiations on Bolivian tin and Peruvian tuna (see OCI Daily Digest, 5 and 18 Feb 52).

There is no indication that a bloc formed by these particular elements could significantly alter the policy toward the US of the respective governments in the immediate future. AD and APRA are severely suppressed opposition groups in countries now under dictatorship. Neither the Chilean Socialist group nor President Peron was pro-US before the formation of the new APRA policy. Furthermore, the heterogeneity of the elements involved might well militate against effective cooperation.

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10. GUATEMALA. Labor union proposes settlement of dispute with United Fruit Company: A lawyer representing the workers of the United Fruit Company's Pacific coast plantations proposed to the company's general manager in Guatemala that the existing labor contract be continued for three years and suggested that the 645,000 dollars claimed as back wages by the workers suspended since last September be paid in installments over that period. The general manager sent the proposal to the company's directors, but does not know what their reaction will be. (C Guatemala City 273, 23 Feb 52)

Comment: On 8 February a Guatemalan court ordered the attachment of the company's Pacific coast properties (see OCI Daily Digest, 13 Feb 52), and later fixed 5 March for public auction of the properties to satisfy the back wage claims. It is significant that this relatively reasonable proposal came from the heretofore intransigent labor union. It may represent an attempt by the Guatemalan Government to give concessions to the company without appearing to lose face.

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SECTION 2 (EASTERN)

1. JAPAN. Riots believed under Communist direction: American Political Adviser Sebald in Tokyo believes that the anti-US riots which broke out in Japan on 21 and 23 February were under the central direction of the Japanese Communist Party. He points out that a recent JCP publication called for concrete implementation of the "military program" adopted last October by the fifth national JCP conference. With several anniversaries suitable for Communist exploitation imminent and negotiations for the US-Japan Security Treaty about to be concluded, Sebald believes that renewed violence can be expected. (C S/S Tokyo 1775, 25 Feb 52)

Comment: A series of isolated attacks against the police, culminating in nationwide riots on "anti-colonization" day (21 February) suggest that the JCP is starting to implement a policy of violence which was implicit in the 1951 thesis. A similar program in early 1950 led to a purge of JCP leadership and suppression of the Communist press, and a return to violence is certain to inspire further governmental regulation and possibly complete outlawing of the party.

SECTION 3 (WESTERN)

2. UNITED KINGDOM. Cabinet refuses immediate recognition of Farouk's title to Sudan: The British Cabinet has decided that Britain will not recognize Farouk as King of the Sudan prior to consultation with a Sudanese Parliament which will be elected this summer. Britain hopes that Egypt will instruct its sympathizers to participate in the election campaign in order to obtain maximum representation in the Parliament.

Britain would have no objections to Egyptian-Sudanese discussions prior to the elections, but hopes that topics other than Farouk's title can be included. (TS, S/S London 3661, 22 Feb 52)

Comment: The British Government has been reluctant to work out even this limited proposal on the Sudan. Because of the Egyptian insistence that the recognition of King Farouk's newly assumed title is essential to the success of any Anglo-Egyptian discussion, it appears that such discussions are likely to become deadlocked.

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